

TOWN OF PORUM, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2013

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## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Board of Trustees  
Town of Porum  
Porum, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Porum, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Porum's basic financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Porum as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### Other Information


My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Porum, Oklahoma's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### Other Matters

In accordance with *Government Auditing Standards*, I have also issued my report dated January 7, 2014, on my consideration of Town of Porum's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Sincerely,



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
January 7, 2014

TOWN OF PORUM, OKLAHOMA  
STATEMENT OF NET ASSETS  
JUNE 30, 2013

	Primary Government		
	Governmental	Business	
	Activities	Type	
	Activities	Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 212,739	\$ 338,158	\$ 550,897
Investments	-	261,705	261,705
Taxes receivable	36,290	-	36,290
Grants receivable	62,140	-	62,140
Accounts receivable	-	92,701	92,701
Due from other funds	(45,305)	45,305	-
Prepaid expense	3,795	27,705	31,500
Insurance reserve	-	43,445	43,445
Debt service cash and cash equivalents	-	32,628	32,628
Total current assets	<u>269,659</u>	<u>841,647</u>	<u>1,111,306</u>
Non-current assets:			
Capital assets			
Land	-	11,050	11,050
Other capital assets net of accumulated depreciation	<u>365,511</u>	<u>1,786,529</u>	<u>2,152,040</u>
Total non-current assets	<u>365,511</u>	<u>1,797,579</u>	<u>2,163,090</u>
Total assets	<u>635,170</u>	<u>2,639,226</u>	<u>3,274,396</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	65,438	31,297	96,735
Bonds	150	-	150
Accrued expenses	-	734	734
Deferred revenue	1,423	-	1,423
Due to other funds	47,658	54,920	102,578
Compensated absences	6,809	32,390	39,199
Utility deposits	-	47,151	47,151
Notes payable, current	-	14,000	14,000
Total current liabilities	<u>73,820</u>	<u>125,572</u>	<u>199,392</u>
Non-current liabilities:			
Notes payable, non-current	-	192,250	192,250
Total non-current liabilities	<u>-</u>	<u>192,250</u>	<u>192,250</u>
Total liabilities	<u>73,820</u>	<u>317,822</u>	<u>391,642</u>
<b>NET ASSETS</b>			
Nonspendable	352,059	1,676,765	2,028,824
Reserved for			
Debt service	-	32,628	32,628
Insurance reserve	-	43,445	43,445
Assigned	187,550	568,566	756,116
Unassigned	<u>21,741</u>	<u>-</u>	<u>21,741</u>
Total net assets	<u>\$ 561,350</u>	<u>\$ 2,321,404</u>	<u>\$ 2,882,754</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF PORUM, OKLAHOMA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

		Program Revenue			(Expenses) Revenue
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				
<b>Function/Programs</b>					
<b>Governmental activities</b>					
General government	\$ 8,174	\$ 585	\$ 2,505	\$ 217,726	\$ 212,642
Public safety	181,511	17,013	-	18,140	(146,358)
Parks and recreation	2,830	-	-	-	(2,830)
Street	20,664	-	6,481	-	(14,183)
Total governmental activities	213,179	17,598	8,986	235,866	49,271
<b>Business-type activities</b>					
Utilities	913,727	1,087,339	-	-	173,612
Economic development	3,937	-	-	-	(3,937)
Total business-type activities	917,664	1,087,339	-	-	169,675
Total primary government	<u>\$1,130,843</u>	<u>\$1,104,937</u>	<u>\$ 8,986</u>	<u>\$ 235,866</u>	<u>\$ 218,946</u>

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Changes in net assets:</b>			
Net (expense) revenue	\$ 49,271	\$ 169,675	\$ 218,946
<b>General revenues</b>			
<b>Taxes</b>			
Sales tax	107,193	-	107,193
Franchise	18,983	-	18,983
Other tax	12,040	-	12,040
Miscellaneous	7,114	-	7,114
Interest	96	5,787	5,883
Transfers, net	(165,084)	165,084	-
Total general revenue and transfer	(19,658)	170,871	151,213
Change in net assets	29,613	340,546	370,159
Net assets - beginning	531,737	1,980,858	2,512,595
Net assets - ending	<u>\$ 561,350</u>	<u>\$ 2,321,404</u>	<u>\$ 2,882,754</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF PORUM, OKLAHOMA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General Fund	Grant Funds	Other Governmental Fund	Total Governmental Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 23,214	\$ 40,423	\$ 149,102	\$ 212,739
Taxes receivable	26,471	-	9,819	36,290
Grants	-	62,140	-	62,140
Due from other funds	2,353	-	-	2,353
Prepaid expense	<u>3,695</u>	<u>-</u>	<u>100</u>	<u>3,795</u>
<b>TOTAL ASSETS</b>	<u>\$ 55,733</u>	<u>\$ 102,563</u>	<u>\$ 159,021</u>	<u>\$ 317,317</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,473	\$ 62,140	\$ 1,825	\$ 65,438
Bonds	-	-	150	150
Deferred Revenue	-	1,423	-	1,423
Due to other funds	<u>8,166</u>	<u>39,000</u>	<u>492</u>	<u>47,658</u>
<b>TOTAL LIABILITIES</b>	<u>9,639</u>	<u>102,563</u>	<u>2,467</u>	<u>114,669</u>
<b>FUND BALANCES</b>				
Nonspendable	24,353	(40,423)	9,427	(6,643)
Assigned	-	40,423	147,127	187,550
Unreserved	<u>21,741</u>	<u>-</u>	<u>-</u>	<u>21,741</u>
<b>TOTAL FUND BALANCES</b>	<u>46,094</u>	<u>-</u>	<u>156,554</u>	<u>202,648</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 55,733</u>	<u>\$ 102,563</u>	<u>\$ 159,021</u>	<u>\$ 317,317</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF PORUM, OKLAHOMA  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
WITH THE STATEMENT OF NET ASSETS  
JUNE 30, 2013

Total fund balance \$ 202,648

Amounts reported in the statement of net assets  
are different because:

Capital assets used in governmental activities  
are not financial resources and therefore are  
not reported as assets in governmental funds.

Capital assets	676,334	
Accumulated depreciation	<u>(310,823)</u>	365,511

Liabilities not due and payable in the  
current period are not reported in the funds.

Amounts accrued for compensated absences are  
not included in the governmental funds (6,809)

Total net assets \$ 561,350

The accompanying notes are an integral part of these financial statements.

TOWN OF PORUM, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Grant Funds	Other Governmental Funds	Total Governmental Funds
Revenue				
Sales tax	\$ 53,597	\$ -	\$ 53,596	\$ 107,193
Use tax	10,648	-	-	10,648
Cigarette tax	1,392	-	-	1,392
Franchise tax	18,983	-	-	18,983
Gasoline tax	-	-	1,340	1,340
Motor vehicle tax	-	-	5,141	5,141
Alcoholic beverage tax	2,505	-	-	2,505
Intergovernmental	-	227,799	8,067	235,866
Licenses and permits	585	-	-	585
Fines and Forfeitures	-	-	16,513	16,513
Fire Runs	-	-	500	500
Other	1,338	-	5,776	7,114
Interest	74	22	-	96
Total revenue	<u>89,122</u>	<u>227,821</u>	<u>90,933</u>	<u>407,876</u>
Expenditures				
Current				
General government	16,971	72	-	17,043
Police department	118,126	10,023	-	128,149
Parks and recreation	602	-	-	602
Court	3,665	-	1,342	5,007
Fire department	-	-	21,835	21,835
Street	-	-	10,768	10,768
Animal control	6,914	-	-	6,914
Total expenditures	<u>146,278</u>	<u>10,095</u>	<u>33,945</u>	<u>190,318</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(57,156)</u>	<u>217,726</u>	<u>56,988</u>	<u>217,558</u>
Other financing sources (uses)				
Transfer from other funds	65,642	-	-	65,642
Transfer to other funds	<u>-</u>	<u>(217,726)</u>	<u>(13,000)</u>	<u>(230,726)</u>
Net other financing sources (uses)	<u>65,642</u>	<u>(217,726)</u>	<u>(13,000)</u>	<u>(165,084)</u>
Net changes in fund balances	8,486	-	43,988	52,474
Fund balances, beginning	<u>37,608</u>	<u>-</u>	<u>112,566</u>	<u>150,174</u>
Fund balances, ending	<u>\$ 46,094</u>	<u>\$ -</u>	<u>\$ 156,554</u>	<u>\$ 202,648</u>

The accompanying notes are an integral part of these financial statements.



TOWN OF PORUM, OKLAHOMA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

Net changes in fund balances - total governmental funds \$ 52,474

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those cost are shown in the combined statement of net assets and allocated over their estimated useful lives as annual depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.

Depreciation expense	(33,772)	
Capital outlay	<u>-</u>	(33,772)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the net decrease in compensated absences of \$381.

		<u>10,911</u>
Change in net assets		<u><u>\$ 29,613</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF PORUM, OKLAHOMA  
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS  
JUNE 30, 2013

	<u>Public Works</u>	<u>Development Authority</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 335,638	\$ 2,520	\$ 338,158
Investments	261,705	-	261,705
Accounts receivable	92,701	-	92,701
Due from other funds	100,225	-	100,225
Prepaid expense	27,705	-	27,705
Insurance reserve	43,445	-	43,445
Debt service cash and cash equivalents	<u>32,628</u>	<u>-</u>	<u>32,628</u>
Total current assets	<u>894,047</u>	<u>2,520</u>	<u>896,567</u>
Non-current assets			
Capital assets:			
Land	11,050	-	11,050
Other capital assets, net of accumulated depreciation	<u>1,721,368</u>	<u>65,161</u>	<u>1,786,529</u>
Total non-current assets	<u>1,732,418</u>	<u>65,161</u>	<u>1,797,579</u>
Total assets	<u>2,626,466</u>	<u>67,681</u>	<u>2,694,147</u>
<b>LIABILITIES</b>			
Current liabilities:			
Due to other funds	2,353	52,567	54,920
Accounts Payable	31,297	-	31,297
Accrued interest	734	-	734
Compensated absences	32,390	-	32,390
Utility deposits	47,151	-	47,151
Note payable, current	<u>14,000</u>	<u>-</u>	<u>14,000</u>
Total current liabilities	<u>127,925</u>	<u>52,567</u>	<u>180,492</u>
Non-current liabilities:			
Notes payable, non-current	<u>192,250</u>	<u>-</u>	<u>192,250</u>
Total non-current liabilities	<u>192,250</u>	<u>-</u>	<u>192,250</u>
Total liabilities	<u>320,175</u>	<u>52,567</u>	<u>372,742</u>
<b>NET ASSETS</b>			
Nonspendable	1,664,171	12,594	1,676,765
Reserved for debt service	32,628	-	32,628
Reserved for insurance reserve	43,445	-	43,445
Assigned	<u>566,046</u>	<u>2,520</u>	<u>568,566</u>
Net assets of business-type activities	<u>\$ 2,306,290</u>	<u>\$ 15,114</u>	<u>\$ 2,321,404</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF PORUM, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Public Works</u>	<u>Development Authority</u>	<u>Total</u>
<u>OPERATING REVENUES</u>			
Charges for services:			
Water charges	\$ 860,746	\$ -	\$ 860,746
Wastewater charges	27,592	-	27,592
Sanitation charges	118,348	-	118,348
Membership tie-in fees	35,200	-	35,200
Turn-on charges	19,403	-	19,403
Penalty	17,175	-	17,175
Other revenues	8,875	-	8,875
Total operating revenues	<u>1,087,339</u>	<u>-</u>	<u>1,087,339</u>
<u>OPERATING EXPENSES</u>			
Personal services	272,118	-	272,118
Payroll tax and benefits	76,494	-	76,494
Fuel	18,147	-	18,147
Repairs	58,156	-	58,156
Sanitation contractor	117,697	-	117,697
Professional fees	4,100	2,700	6,800
Insurance	13,713	-	13,713
Materials and supplies	97,444	-	97,444
Office	15,969	-	15,969
Bad Debts	3,699	-	3,699
License and permits	11,535	-	11,535
Other operating expense	13,750	-	13,750
Utilities and telephone	63,640	-	63,640
Depreciation	141,492	1,237	142,729
Total operating expenses	<u>907,954</u>	<u>3,937</u>	<u>911,891</u>
Operating income (loss)	<u>179,385</u>	<u>(3,937)</u>	<u>175,448</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>			
Interest revenue	5,786	1	5,787
Interest on notes payable and fees	(5,773)	-	(5,773)
Total non-operating revenue (expenses)	<u>13</u>	<u>1</u>	<u>14</u>
Income (loss) before transfer	179,398	(3,936)	175,462
Transfers from other funds	217,726	-	217,726
Transfer to other funds	(52,642)	-	(52,642)
Total Transfers	<u>165,084</u>	<u>-</u>	<u>165,084</u>
Change in net assets	344,482	(3,936)	340,546
Total net assets, beginning	<u>1,961,808</u>	<u>19,050</u>	<u>1,980,858</u>
Total net assets, ending	<u>\$ 2,306,290</u>	<u>\$ 15,114</u>	<u>\$ 2,321,404</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF PORUM, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Public Works</u>	<u>Development Authority</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers	\$ 1,085,395	\$ -	\$ 1,085,395
Cash payments to employees	(342,342)	-	(342,342)
Cash payments to suppliers for goods and services	<u>(430,359)</u>	<u>-</u>	<u>(430,359)</u>
Net cash provided (used) by operating activities	<u>312,694</u>	<u>-</u>	<u>312,694</u>
Cash flows from non-capital financing activities			
Transfer from other funds (net)	<u>165,084</u>	<u>-</u>	<u>165,084</u>
Cash used by non-capital financing activities	<u>165,084</u>	<u>-</u>	<u>165,084</u>
Cash flows from capital and related financing activities			
Acquisition of fixed assets	(419,410)	-	(419,410)
Interest paid on notes payable and fiscal fees	(5,773)	-	(5,773)
Principal paid on notes payable	<u>(13,250)</u>	<u>-</u>	<u>(13,250)</u>
Net cash used for capital and related financing activities	<u>(438,433)</u>	<u>-</u>	<u>(438,433)</u>
Cash flows from investing activities			
Transfers to investments	(943)	-	(943)
Interest revenue	<u>5,786</u>	<u>1</u>	<u>5,787</u>
Net cash provided by investing activities	<u>4,843</u>	<u>1</u>	<u>4,844</u>
Net change in cash and cash equivalents	44,188	1	44,189
Cash and cash equivalents, beginning	<u>324,078</u>	<u>2,519</u>	<u>326,597</u>
Cash and cash equivalents, ending	<u>\$ 368,266</u>	<u>\$ 2,520</u>	<u>\$ 370,786</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF PORUM, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Public Works</u>	<u>Development Authority</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities			
Operating income (loss)	\$ 179,385	\$ (3,937)	\$ 175,448
Adjustments to reconcile operating income to net cash used by operating activities:			
Depreciation	141,492	1,237	142,729
Changes in assets and liabilities:			
Increase in accounts receivable	(3,407)	-	(3,407)
Increase in due from other funds	(2,704)	-	(2,704)
Increase in prepaid expense	(10,882)	-	(10,882)
Increase in insurance reserve	(4,826)	-	(4,826)
Increase in due to other funds	135	2,700	2,835
Increase in accounts payable	5,768	-	5,768
Increase in compensated absences	6,270	-	6,270
Increase in utility deposits	1,463	-	1,463
Net cash provided by operating activities	<u>\$ 312,694</u>	<u>\$ -</u>	<u>\$ 312,694</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF PORUM, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Porum, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and provides the following services: general government, public safety, public works, parks and recreation. The basic financial statements include the departments, agencies, and other organizational units over which the Board of Trustees exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and No. 39. Based on the criteria Porum Public Works Authority and Porum Development Authority are component units. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the Town), and activities for which the primary government is financially accountable, and the activities of Porum Public Works Authority and Porum Development Authority. Financial accountability exists if a primary government appoints a voting majority of an organizations governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no other entities to include in the Town's financial statements.

Porum Public Works Authority was created October 29, 1962 under the provisions of Title 60 Oklahoma Statutes Sections 176 to 180. The Authority is managed by a Board of Trustees made up of members of the Town Board of Trustees. The Authority operates water, sanitation, and sewer services for the Town of Porum. The Authority is reported as a proprietary fund.

Porum Development Authority was created June 15, 2004 under the provisions of Title 60, Oklahoma Statutes, Section 176 to 180. The Development Authority is managed by a Board of Trustees made up of the Town Board of Trustees. The Development Authority was created for the purpose of promoting economic development in the Porum area. The Development Authority is reported as a proprietary fund.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America applicable to government units.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

TOWN OF PORUM, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

*Fund Financial Statements*

Fund financial statements of the Town are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of Town component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

TOWN OF PORUM, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 30 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charged to customers for sales or services. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

General Fund - The general fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Proprietary Funds - The Town reports the following major enterprise funds:

Porum Public Works Authority - The Authority provides certain utility services for the Town.

Budgetary Accounting and Control

The Mayor submits an annual budget to the Board of Trustees in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for the Town operating funds. Once approved, the Board of Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budget and other planning documents to their respective governing bodies.



TOWN OF PORUM, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by sources. Expenditures are budgeted by department and class as follows: Personal services, Other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the Board of Trustees. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Board approval. Revisions to the budget were made during the year.

The budgets for the operating funds and proprietary fund operations are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Investments

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances.

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2013 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

TOWN OF PORUM, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture , machinery, and equipment	3-30
Utility system	5-50

Compensated Absences

Full-time, permanent employees are granted personal leave in varying amounts to specified maximums depending on tenure with the Town. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued in the government-wide, proprietary, fiduciary, and component unit financial statements. Governmental funds report only matured absences payable to currently terminating employees and are included in wages and benefits payable.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF PORUM, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2013, all of the Town's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$845,230 at June 30, 2013. The bank balance of the deposits at June 30, 2013 was approximately \$873,050.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2013.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Trustees monitors the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2013, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE C - ACCOUNTS RECEIVABLE

The Town records the total due on utility accounts owed the proprietary fund for services unpaid at June 30. Any uncollectible amounts are written-off as they become collectible.

The governmental funds have accrued sales tax, alcoholic beverage tax, gasoline excise tax, and motor vehicle tax to be received in July and August.

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2013 are as follows:

<u>Amount</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
\$ 52,567	Public Works	Development Authority
39,000	Public Works	Grant
8,166	Public Works	General
2,353	General Fund	Public Works (sewer)
321	Public Works	Street and Alley
171	Public Works	Fire Department
<u>\$102,578</u>		

TOWN OF PORUM, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE E - INSURANCE RESERVE

The Proprietary Fund reserved net assets for insurance reserve relate to risk management activities. Town of Porum, Oklahoma's risk management activities consist of purchasing policies from commercial insurance carriers. As part of its risk management activity, the Town has purchased workers' compensation insurance from Oklahoma Municipal Assurance Group (the Group). The premium paid for the workers' compensation insurance includes an amount which is placed in a loss fund for the Town of Porum, Oklahoma. The balance of the premium is used for administration of the insurance and obtaining insurance coverage. The loss fund is an actuarially determined estimate of the Town's expected workers' compensation claims during the policy period. At June 30, 2013, the balance in the fund was \$19,291.

If the actual losses are less than the amount of the loss fund, the difference may be refunded to the Town or placed in an escrow account for the Town of Porum, Oklahoma. Refunds may begin as early as two years after the end of the plan year. The reinsurance purchased by the Group covers claims in excess of the loss fund. The Town of Porum, Oklahoma is not obligated to pay any amount in excess of its annual premium. The amount in the escrow account at June 30, 2013 was \$13,007. This money may be refunded on written request.

Renewal premiums to be billed the Town of Porum, Oklahoma are limited to a maximum reduction of 10% from the prior year's billed premium. Any portion of the billed premium in excess of the amount required to fully fund the Town's actuarial premium is held by the Group in the Rate Stabilization Reserve (RSR) for the Town. RSR balances will be applied to offset any future billed premium increases in excess of 10% over the prior year's billed premium. The Town of Porum, Oklahoma is entitled to a refund of any RSR balance upon termination of their participation in the insurance. The Town of Porum, Oklahoma had \$11,147 in the RSR as of June 30, 2013.

NOTE F - DEBT SERVICE CASH AND CASH EQUIVALENTS

The trustee bank for notes payable listed in Note H maintains reserve and sinking fund accounts to accumulate resources for the retirement of the debt. At June 30, 2013, the trustee bank was holding \$32,628 for use in retiring the debt.

TOWN OF PORUM, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE G - CAPITAL ASSETS

Changes in capital assets.

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, DEPRECIATED				Capital Assets Not Depreciated
	Buildings	Infrastructure & Improvements Other Than Buildings	Furniture, Machinery, And Equipment	Totals	Land
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
Balance, June 30, 2012	\$ 105,850	\$ 232,942	\$ 337,542	\$ 676,334	\$ -
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2013	<u>105,850</u>	<u>232,942</u>	<u>337,542</u>	<u>676,334</u>	<u>-</u>
Accum. Deprec.					
Balance, June 30, 2012	42,655	27,478	206,918	277,051	
Increase	2,672	11,467	19,633	33,772	
Decreases	-	-	-	-	
Balance, June 30, 2013	<u>45,327</u>	<u>38,945</u>	<u>226,551</u>	<u>310,823</u>	
Governmental activities Capital Assets, Net	<u>\$ 60,523</u>	<u>\$ 193,997</u>	<u>\$ 110,991</u>	<u>\$ 365,511</u>	<u>\$ -</u>
<b>Business-type activities</b>					
Balance, June 30, 2012	\$ 74,219	\$ 3,826,606	\$ 653,185	\$ 4,554,010	\$ 11,050
Increases	22,000	397,410	-	419,410	-
Decreases	-	-	-	-	-
Balance, June 30, 2013	<u>96,219</u>	<u>4,224,016</u>	<u>653,185</u>	<u>4,973,420</u>	<u>11,050</u>
Accum. Deprec.					
Balance, June 30, 2012	7,821	2,596,797	439,544	3,044,162	
Increase	1,237	115,655	25,837	142,729	
Decreases	-	-	-	-	
Balance, June 30, 2013	<u>9,058</u>	<u>2,712,452</u>	<u>465,381</u>	<u>3,186,891</u>	
Business-type Activities Capital Assets, Net	<u>\$ 87,161</u>	<u>\$ 1,511,564</u>	<u>\$ 187,804</u>	<u>\$ 1,786,529</u>	<u>\$ 11,050</u>
<b>PRIMARY GOVERNMENT Capital Assets, Net</b>	<u>\$ 147,684</u>	<u>\$ 1,705,561</u>	<u>\$ 298,795</u>	<u>\$ 2,152,040</u>	<u>\$ 11,050</u>

DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
General government	\$ 2,042	Utilities	\$ 141,492
Public Safety	19,606	Economic development	1,237
Street	9,896		
Park	2,228		

TOWN OF PORUM, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE H - NOTES PAYABLE PROPRIETARY FUND

The Authority has incurred indebtedness for the expansion of system facilities. The following is a summary of note payable transactions for the year ended June 30, 2013.

	<u>Payable at July 1, 2012</u>	<u>Addition/ Retirements</u>	<u>Balance at June 30, 2013</u>
Water Resources Board	\$ 219,500	\$ (13,250)	\$ 206,250
	<u>\$ 219,500</u>	<u>\$ (13,250)</u>	<u>\$ 206,250</u>

A brief description of the outstanding notes payable at June 30, 2013 is set forth below:

<u>Outstanding</u>	<u>Amount</u>
Oklahoma Water Resource Board loan dated December 27, 1994, original loan amount of \$350,000, interest rate variable, interest rate at June 30, 2013 was 1.56%, principal and interest determined by trustee bank every six months, matures in August 2023	<u>206,250</u>
Total	<u>\$ 206,250</u>

The annual principal payments due over the next five years and thereafter are as follows. Actual debt service requirements will vary depending on the variable interest rate in effect at the time of payment.

<u>Year ending June 30</u>	<u>Principal</u>
2014	\$ 14,000
2015	15,100
2016	16,400
2017	17,700
2018	19,200
2019-2023	<u>123,850</u>
Total	<u>\$ 206,250</u>

The Authority incurred interest of \$2,853 and fees of \$2,920 on long-term debt during the year. Future year interest payments will depend on the interest rate at the time of payment.

TOWN OF PORUM, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE I - DEBT SERVICE COVERAGE

The revenue bond indenture requires the Public Works Authority maintain a schedule of charges, fees, and rates sufficient to produce annual net revenues not less than 1.25 times average annual debt service requirements after payment of all operating and maintenance expense. The appropriation of sales tax by the Town of Porum to the Authority is included for the purpose of calculating net revenue.

Ratio of net revenue to debt service follows:

Operating revenue	\$ 1,087,339
Operating expenses	766,462
Revenue Available For Debt Service	<u>\$ 320,877</u>
Average Annual Debt Service	<u>\$ 18,071</u>
Coverage Ratio	17.76 to 1

NOTE J - PENSION OBLIGATIONS

The Town participates in two pension plans.

Oklahoma Firefighter's Pension and Retirement System

The Town participates in this statewide, cost-sharing, multiple-employer benefit plan on behalf of firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligation and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
Town's contribution rate	13% of covered payroll/\$60 per volunteer
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 ½% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; If vested, at or after age 50, or after 10 but before 20 years of Credited service, with reduced benefits
Benefits and eligibility for distribution (Volunteer)	20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option	Yes, 20 years credited service with Continued service for 30 or more years

TOWN OF PORUM, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Provisions for:

Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes
Disability	Yes
Cost of living allowances	Yes

Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 900	100%
2012	900	100%
2011	660	100%

Oklahoma Municipal Retirement Fund

The Town allows employees to participate in Oklahoma Municipal Retirement Fund, a defined contributions plan. The plan is funded by contributions from participants and employees. The following is a summary of eligibility factor, contribution methods, and benefit provision:

Eligibility	All regular, full-time employees except police, firefighters and other employees who are covered under an approved system and who have been employed for at least twelve months.
Employee contributions	7.% of pay.
Employer contribution	2.25% of pay
Service	
Credited Service	The last period of continuous employment with the employer excluding any periods before the effective date of the plan specified in the adoption agreement.
Vesting	Credited service plus transferred service from other OMRF employers.
Benefit Eligibility	7 or more years of vesting service.
Final Average Compensation	The average of the 5 highest consecutive annual salaries out of the last 10 years of service.
Accrued Benefit	Plan B 1.125% of final average compensation multiplied by the number of years of credited service.
Normal Retirement Age	Age 65 with 7 or more years of vesting service.
Normal Retirement Eligibility	Termination of employment on or after normal retirement age.
Benefit	The accrued benefit payable immediately.
Early Retirement Eligibility	Termination after age 55 with 7 or more years of vesting.
Benefit	The accrued benefit payable starting at normal retirement, or the accrued benefit reduced 5% per year for commencement prior to normal retirement age.



TOWN OF PORUM, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Disability Retirement Eligibility	Total and permanent disability after 7 or more years of service.
Benefit	The accrued benefit is payable upon disablement without reduction for early payment.
Termination Before Retirement Age	
Before Vesting	Return of employee contributions, if any, with interest.
After Vesting	The accrued benefit payable starting normal retirement age, or a reduced benefit payable at an early retirement age.
In-service Death	
Before vesting	Return of employee contributions, if any, with interest.
After vesting (married participants only)	50% of the accrued benefit is payable to the spouse until death or remarriage.
After Vesting (other participants)	50% of the accrued benefit is payable for 5 years certain.
Payment Options	
Normal form	The normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain.
Optional forms	Disability retirement benefits are paid only under the normal form.
	Other retirement benefits are available under actuarially equivalent optional forms:
	- Joint and 50% survivor annuity
	- Joint and 66-2/3rds% last survivor annuity
	- Joint and 100% survivor annuity
Cost of Living	This plan has not elected the automatic post-retirement cost-of-living adjustments.

Contributions required:		
<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 23,300	100%
2012	19,124	100%
2011	17,972	100%

**NOTE K - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TOWN OF PORUM, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE L - FEDERAL AND STATE GRANTS

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE I - SUBSEQUENT EVENTS

The Town evaluated subsequent events through January 7, 2014, the date which financial statements were available, to determine if any items need to be disclosed. The Town is not aware of any items which need disclosure.

TOWN OF PORUM, OKLAHOMA  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013

	<u>Street And Alley</u>	<u>Fire Department</u>	<u>Court</u>	<u>Total Nonmajor Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 78,854	\$ 65,561	\$ 4,687	\$ 149,102
Taxes receivable	5,504	4,315	-	9,819
Prepaid expense	<u>-</u>	<u>100</u>	<u>-</u>	<u>100</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 84,358</u></u>	<u><u>\$ 69,976</u></u>	<u><u>\$ 4,687</u></u>	<u><u>\$ 159,021</u></u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,646	\$ 179	\$ -	\$ 1,825
Bonds	-	-	150	150
Due to other funds	<u>321</u>	<u>171</u>	<u>-</u>	<u>492</u>
<b>TOTAL LIABILITIES</b>	<u>1,967</u>	<u>350</u>	<u>150</u>	<u>2,467</u>
<b>FUND BALANCES</b>				
Nonspendable	5,183	4,244	-	9,427
Assigned	<u>77,208</u>	<u>65,382</u>	<u>4,537</u>	<u>147,127</u>
<b>TOTAL FUND BALANCES</b>	<u>82,391</u>	<u>69,626</u>	<u>4,537</u>	<u>156,554</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 84,358</u></u>	<u><u>\$ 69,976</u></u>	<u><u>\$ 4,687</u></u>	<u><u>\$ 159,021</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF PORUM, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Street And Alley	Fire Department	Court	Total Nonmajor Funds
REVENUES				
Sales tax	\$ 26,798	\$ 26,798	\$ -	\$ 53,596
Vehicle tax	5,141	-	-	5,141
Gasoline tax	1,340	-	-	1,340
Intergovernmental	-	8,067	-	8,067
Fire Runs	-	500	-	500
Miscellaneous	-	5,776	-	5,776
Fines and forfeits	-	-	16,513	16,513
	<u>33,279</u>	<u>41,141</u>	<u>16,513</u>	<u>90,933</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Street	10,768	-	-	10,768
Court	-	-	1,342	1,342
Fire department	-	21,835	-	21,835
	<u>10,768</u>	<u>21,835</u>	<u>1,342</u>	<u>33,945</u>
TOTAL EXPENDITURES				
Excess of revenues over (under) expenditures	<u>22,511</u>	<u>19,306</u>	<u>15,171</u>	<u>56,988</u>
Other financing sources (uses)				
Transfer to other funds	-	-	(13,000)	(13,000)
Net changes in fund balances	22,511	19,306	2,171	43,988
Fund balances, beginning	<u>59,880</u>	<u>50,320</u>	<u>2,366</u>	<u>112,566</u>
Fund balances, ending	<u>\$ 82,391</u>	<u>\$ 69,626</u>	<u>\$ 4,537</u>	<u>\$ 156,554</u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the Board of Trustees  
Town of Porum  
Porum, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Porum, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Porum's basic financial statements and have issued my report thereon dated January 7, 2014 which did not include Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Town of Porum's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Porum's internal control. Accordingly, I do not express an opinion of the effectiveness of Town of Porum's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

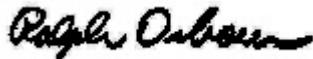
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Porum, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The general, street, fire, and court fund actual expenses exceeded the respective approved budgets.

### Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
January 7, 2014